

Message Text

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USDEL MTN GENEVA
AMEMBASSY MADRID
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PASS STR AND AGRICULTURE ELECTRONICALLY FROM AGATT

E.O. 11652: N/A
TAGS: EAGR, EC, ECON, FR
SUBJECT: FR-6078 (CODE 24 AL) : FRENCH LEADERS DISCUSS
AGRICULTURAL POLICY

REF: STATE 34918

1. SUMMARY - FRENCH PRESIDENT AND AGRICULTURAL MINISTER
DURING FIRST PART OF DECEMBER HAVE ADDRESSED AGRICUL-
TURAL POLICY MATTERS. ALTHOUGH SIGNALS NOT CLEAR ON ALL
POINTS, IT APPEARS THAT GOF CONTINUES TO SUPPORT SPANISH
AND GREEK ACCESSION TO EC, BUT NOT BEFORE PERHAPS 1980
AND CERTAINLY NOT IN IMMEDIATE FUTURE. AGMIN SEES NO
MORE THAN 6.5 PERCENT INCREASE IN NEXT ROUND OF EC AGRI-
CULTURAL PRICE INCREASES - LARGELY BECAUSE OF BRITISH
OPPOSITION - BUT STANDS READY TO EXTEND DIRECT AID TO
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FARMERS TO SUPPLEMENT INCOME. GOF AGAINST NEW CONFE-
RENCE TO REORGANIZE AGRICULTURAL POLICIES OF EC - AS
RECENTLY SUGGESTED BY FRENCH SOCIALISTS - BECAUSE THEY
SEE NEGATIVE RESULTS FOR FRANCE IN PROPOSED OVER-
HAUL. COGNAC ISSUE USED TO SNIPE AT US TRADE POLICIES.
CONCLUSION MUST BE DRAWN THAT FRANCE CONTINUES TO HOLD

FAST TO IDEAS INVOLVING MARKET AND TRADE "ARRANGEMENTS", PARTICULARLY IN AGRICULTURE, IN PLACE OF REAL LIBERALIZATION OF MARKETS.

2. PRESIDENT GISCARD D'ESTAING, AGMIN BONNET AND STATE SECRETARY FOR AGRICULTURE MEHAIGNERIE AT LUNCHEON AT ELYSEE MET ON DECEMBER 8 WITH FOUR LEADERS OF PRINCIPAL FARM ORGANIZATIONS OF FRANCE: PERRIN OF CHAMBERS OF AGRICULTURE (APCA); DEBATISSE OF NATIONAL FEDERATION OF FARM UNIONS (FNSEA); SCHAEFFER OF YOUNG FARMERS (CNJA) ; AND DELATTE OF NATIONAL CONFEDERATION OF COOPS AND FARM CREDIT (CNMCCA). THE WIDELY REPORTED CONFERENCE WAS HERALDED AS PRELUDE TO DECEMBER 21 AND 22 MEETING SCHEDULED FOR EC'S AGRICULTURAL MINISTERS AT BRUSSELS.

3. MAJOR TOPICS DISCUSSED WERE MONETARY COMPENSATORY AMOUNTS, ENLARGEMENT OF COMMUNITY, AGRICULTURAL PRICES, POULTRY-COGNAC, AND MILK SURPLUS. RESUME OF THESE POINTS FOLLOWS:

A. MCA'S - BOTH PERRIN AND DEBATISSE IN THEIR REPORTS OF MEETING ALLUDED TO DISCUSSIONS OF BURDEN OF MCA'S ON EC IN GENERAL AND ON FRANCE IN PARTICULAR, WHILE GREAT BRITAIN REAPS BENEFITS OF SYSTEM. DEBATISSE ADDED THAT WHILE FRENCH FARMERS SUFFERED BURDEN OF MCA'S, FRENCH INDUSTRY BENEFITS FROM EXCHANGE SITUATION.

B. COMMUNITY ENLARGEMENT - IN AN APPARENT CHANGE IN HIS PREVIOUSLY DECLARED POSITION, VGE WAS REPORTED BY DEBATISSE AND SHAEFFER AS DECLARING THAT ENTRY OF LIMITED OFFICIAL USE

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SPAIN AND GREECE INTO EC WAS "IMPOSSIBLE FOR THE MOMENT" . (WE QUERIED SOME AGRICULTURAL CONTACTS ON THIS POINT, AND THEY OPINED THAT VGE MAY HAVE BEEN PLAYING TO HIS AUDIENCE. VGE MAY HAVE SIMPLY IMPLIED THAT ADMISSION OF NEW MEMBERS IS IMPOSSIBLE WHILE MCA CRISIS REMAINS UNSOLVED, BUT NOT AFTER. IN ANY EVENT, STATEMENTS ATTRIBUTED TO VGE APPEAR TO BE STEP BACK FROM FULL ENDORSEMENT OF TWO NEW CANDIDATES FOR MEMBERSHIP).

C. AGRICULTURAL PRICES - DEBATISSE INDICATED DURING MEETING THAT INCREASE IN FARM PRICES OF 19 PERCENT WOULD BE REQUIRED NEXT SPRING TO MAKE UP FOR LOST REVENUES OF FARMERS DURING PAST THREE YEARS. VGE REPORTEDLY MERELY SHOWED SURPRISE AT THIS FIGURE.

D. POULTRY-COGNAC - AGRICULTURAL LEADERS CALLED FOR POSITION OF GREATER FIRMNESS ON PART OF BRUSSELS TO COUNTER RECENT US DECISION ON COGNAC. VGE'S RESPONSE

TO THIS WAS NOT REPORTED.

E. MILK SURPLUS - VGE WAS ALSO URGED TO OPPOSE ANY
MEASURES OF COMMUNITY TO RESOLVE MILK PROBLEM ON PIECE-

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MEAL BASIS. FRENCH FARM LEADERS PREFER EXAMINATION OF
TOTAL PROBLEM INCLUDING MILK, ANIMAL FATS AND VEGETABLE
FATS IN PACKAGE SOLUTION.

4. ON DECEMBER 9, DAY FOLLOWING VGE MEETING, AGMIN
BONNET WAS KEY SPEAKER AT LUNCHEON HOSTED BY ASSOCIATION
OF FRENCH AGRICULTURAL JOURNALISTS. LEADING DEFENDER OF
ADMINISTRATION AND FRENCH AGRICULTURAL INTERESTS, BONNET
PERFORMED AS EXPECTED. MAJOR POINTS OF INTEREST IN-
CLUDED BONNET'S STATEMENT THAT HE SAW SPAIN AND GREECE
AS NEW MEMBERS OF COMMUNITY BY 1980. HE POINTED OUT
BENEFITS WHICH WOULD ACCRUE FROM SUCH MEMBERSHIP AND
INTIMATED THAT EC COULD BENEFIT PARTICULARLY FROM SPAIN'S
40 PERCENT GRAIN IMPORT REQUIREMENTS (FILLED 95 PERCENT
FROM THIRD COUNTRIES), AS WELL AS FROM SPANISH IMPORTS

OF APPLES. HOWEVER, BONNET DID NOT FORESEE IMMEDIATE LIMITED OFFICIAL USE

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OR EVEN INTERMEDIATE TERM ENTRY OF SPAIN BECAUSE OF PROBLEMS OF WINE, FRUIT AND VEGETABLES. BONNET SAW GREECE AS POSING NO DANGER TO FRENCH AGRICULTURAL INTERESTS WITH POSSIBLE EXCEPTION OF TOMATO AND PEACH EXPORTS OF GREECE TO FRG. (ALTHOUGH BONNET, ON SURFACE, MAY HAVE APPEARED MORE SANGUINE TOWARDS COMMUNITY ENLARGEMENT THAN VGE ON PREVIOUS DAY, DIFFERENCES IN TIME FRAMES AS BETWEEN "FOR THE MOMENT" AND 1980 WOULD EASILY EXPLAIN DIFFERENCE).

5. BONNET, RESPONDING TO QUESTION ON AGRICULTURAL PRICE INCREASES FOLLOWING NEXT SPRING'S DECISIONS BY EC, POINTED OUT MANY SERIOUS PROBLEMS SUCH AS MCA'S AND VARIABLE RATES OF INFLATION IN MEMBER COUNTRIES. HE FOCUSED PARTICULARLY ON FACT THAT UK WILL BE IN KEY POSITION WITH CHAIRMEN HEADING EUROPEAN COMMISSION, COPA, THE COUNCIL, AND ECONOMIC AND SOCIAL COMMITTEE. IN VIEW OF UK OPPOSITION TO HIGH EC PRICES, HE COULD NOT FORESEE MORE THAN 6.5 PERCENT PRICE INCREASE. (THIS FIGURE, OF COURSE, IS IN LINE WITH BARRE PLAN. REACTION FROM AGRICULTURAL SECTOR HAS BEEN SLOW IN COMING, BUT IN VIEW OF FREQUENTLY REPEATED VOWS OF FARM LEADERS TO MAKE UP FOR THREE YEARS OF SLIPPAGE OF INCOME BECAUSE OF FARM COSTS RISING FASTER THAN FARM PRICES, WE WOULD BE SURPRISED IF PRICE ISSUE DOES NOT HEAT UP TO INTENSITY SURPASSING THAT OF PAST FEW YEARS). BONNET RIDICULED 16 TO 20 PERCENT INCREASE CALLED FOR BY SOME FARM SECTORS BUT SAID DIRECT AID TO FARMERS MIGHT SUPPLEMENT PRICE INCREASES.

6. ON SPECIFIC ISSUE OF MCA'S, BONNET MADE POINT THAT ORIGINAL PURPOSE OF MCA'S WAS AS TEMPORARY ADJUSTMENT TO FOREIGN EXCHANGE VARIATIONS. HE SAID CURRENT MCA'S WERE NOT INTENDED TO BE, AND SHOULD NOT REMAIN, PERMANENT FIXTURE OF EC AGRICULTURAL POLICY.

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7. BONNET DECLARED HIS OPPOSITION TO REOPENING WHOLE QUESTION OF EC AGRICULTURAL POLICY THROUGH CONVENING NEW CONFERENCE OF STRESA, AS SUGGESTED RECENTLY BY SOCIALIST FIRST SECRETARY MITTERAND AND SOCIALIST DEPUTY PIERRE JOXE. HE SAID IT WOULD ONLY SERVE TO BURY THE CAP.

BONNET ALSO DEFENDED GOF AGAINST SOCIALIST CHARGES THAT FARM AID MOSTLY BENEFITED LARGE FARMERS. HE OBSERVED THAT DROUGHT AID WAS LIMITED IN AMOUNT TO ANY ONE FARMER AND THAT AID TO CATTLE RAISERS WAS LIMITED TO CEILING OF 15 COWS. HE DID NOT DEAL WITH WIDER ISSUE OF EXCEPTIONAL BENEFITS ENJOYED BY LARGE FARMERS FROM CAP PRICE POLICIES.

8. NUMBER OF QUESTIONERS CRITICIZED GOF FOR SLOW PACE OF DISBURSEMENT OF DROUGHT ASSISTANCE. ONE SUGGESTION CALLED FOR PUBLICATION OF PRECISE AMOUNT OF ASSISTANCE TO FARMERS BY GEOGRAPHICAL AND FUNCTIONAL BREAKDOWN. BONNET REPLIED THAT SUCH PUBLICATION "WOULD UNLEASH WAR OF RELIGION AMONG FRENCH FARMERS".

9. WHEN QUESTION OF MTN'S RAISED BY AGATT, BONNET REPLIED THAT US WAS WORLD'S FIRST EXPORTER OF AGRICULTURAL PRODUCTS AND WORLD'S SECOND IMPORTER, AND THAT EC WAS JUST THE REVERSE - FIRST IN AGRICULTURAL IMPORTS AND SECOND IN EXPORTS. THUS, HE CONCLUDED, IT WAS EVIDENT THAT US WAS MOST PROTECTIONIST AND MONOPOLIST. HE CITED RECENT COGNAC DECISION AS EVIDENCE. HE ADDED THAT FRANCE WOULD CONTINUE TO MAINTAIN THAT AGRICULTURE IS UNIQUE AND WOULD SEEK PRODUCT-BY-PRODUCT ARRANGEMENTS IN CONTEXT OF MTN'S.

10. FINALLY, BONNET TOOK HARD POSITION ON LIBERALIZATION

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OF EC "SAFEGUARD CLAUSE" DESIGNED TO PROTECT EC BEEF PRODUCERS. HE SAID FRANCE HAD TAKEN LEAD TO CONVINCE EC TO ADOPT THIS "COURAGEOUS" AND "EFFICIENT" PLAN, AND IT WOULD BE WISE TO SEE THAT SITUATION WAS REALLY EASED BEFORE CHANGING REGULATIONS. HOWEVER, NEED TO AVOID INFLATIONARY PRICE INCREASES IN MEAT PRICES WOULD EVENTUALLY REQUIRE LIFTING, HE SAID.

11. EARLIER, ON DECEMBER 3, BONNET DEFENDED BUDGET AT SENATE. CONTENT OF HIS REMARKS WERE NOT SIGNIFICANTLY DIFFERENT THAN HIS DECEMBER 9 SPEECH, AND HE CONTINUED TO LAY STRESS ON INCREASED AGRICULTURAL EXPORTS AND ANTICIPATED TOUGHNESS OF MTN NEGOTIATIONS. HE ALSO EMPHASIZED NEED TO REDUCE DEPENDENCE ON IMPORTED PROTEINS AND SAID FRANCE WOULD FAVOR DEVELOPMENT DOMESTIC PRODUCTION OF SOYBEANS, HORSEBEANS AND PROTEIN PEAS.
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12. ONE SHOULD ALSO NOTE RECENT COMMENTS OF TRADE MINISTER ROSSI AT JOURNALISTS' LUNCH TO EFFECT THAT FRANCE MUST DO EVERYTHING IN ITS POWER TO REDUCE IMPORTS AND INCREASE EXPORTS. HE ESPOUSED PLAN OF "DEVELOPING DOMESTIC MARKET" WHICH COULD BEST BE DESCRIBED AS A "BUY FRANCE" POLICY. PERHAPS MOST DISTURBING ASPECT OF HIS REPORTED REMARKS WAS STATEMENT THAT FRANCE SHOULD NOT SEEK TRADE LIBERALIZATION AT ANY PRICE BUT RATHER SHOULD ENDEAVOR TO ACHIEVE BETTER MARKET ORGANIZATION.

13. COMMENT: THERE ARE BITS OF ENCOURAGEMENT IN ALL THIS IN SENSE THAT GOF IS AIMING AT NO MORE THAN 6.5 PERCENT FARM PRICE INCREASES, AND THAT IT WOULD BE OPEN TO PROVIDING DIRECT AID TO FARMERS TO MAKE UP ANY EVIDENT SHORTFALLS IN PERCEIVED JUST INCOME LEVELS. ALSO, GOF APPEARS TO MAINTAIN REASONABLY LIBERAL VIEW OF EVENTUAL SPANISH AND GREEK ACCESSION, ALTHOUGH IT IS CLEAR THAT COMMODITY-BY-COMMODITY NEGOTIATIONS WILL BE HARD.

14. BEYOND THIS, WE CAN SEE NO MORE THAN REAFFIRMATION OF OPPOSITION TO TRADE LIBERALIZATION, PARTICULARLY IN AGRICULTURE, AND FULL SUPPORT FOR "DIRIGIST" IDEAS IN-

VOLVING MARKETING AND TRADE AGREEMENTS. DESPITE OFFICIAL US STATEMENTS REAFFIRMING BASIC US SUPPORT FOR EUROPEAN UNITY AND EC COMMON MARKET, US CRITICISM OF CAP POLICIES OF VARIABLE IMPORT LEVIES AND EXPORT SUBSIDIES ARE VIEWED AS ATTEMPTS TO DESTROY COMMUNITY. THOUGHTFUL FRENCH OFFICIALS AND OTHERS CERTAINLY KNOW BETTER, BUT CONSTANT REPETITION OF THESE CHARGES IMPART MEASURE OF DOCTRINAIRE AUTHENTICITY.

15. WITH SPIRIT OF RAMBOUILLET, AS IT PRESUMABLY APPLIED TO MTN'S, FADING INTO BACKGROUND, WE SEE FUTURE HIGH LIMITED OFFICIAL USE

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LEVEL DISCUSSIONS AS OFFERING BEST HOPE OF RESOLVING MANY BASIC DIFFERENCES ON TRADE POLICY WHICH ARE DISTURBING OTHERWISE WARM FRANCO-AMERICAN RELATIONS. RUSH

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